

Message Text

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PAGE 01 OTTAWA 01487 112213Z
ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 /036 W
-----120943Z 001056 /22

R 112145Z MAR 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 2760
INFO AMEMBASSY MEXICO
AMEMBASSY LONDON
AMEMBASSY PARIS
AMCONSUL MONTREAL
ALL OTHER CANADIAN CONSULS

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E.O. 11652:N/A
TAGS: EAIR, CA
SUBJECT: CIVAIR: LIKELY INCREASED CHARTER COMPETITION
AMONG CANADIAN CARRIERS

1. WARDAIR, EDMONTON-BASED CHARTER AIRLINE, ANNOUNCED
THIS WEEK A MAJOR CAPACITY EXPANSION THROUGH ACQUISITION
OVER THE NEXT 26 MONTHS OF FOUR MORE WIDEBODIED JETS.
IT PRESENTLY OPERATES TWO B-707'S (WHICH WILL BE SOLD)
AND TWO B-747'S. WARDAIR WILL ADD TWO B-747-200'S
(456 SEATS EACH) AND TWO DC 10-30'S (301 SEATS EACH).
THESE PURCHASES WILL REPRESENT AN ALMOST 100 PERCENT
CAPACITY INCREASE.

2. WARDAIR'S EXPANSION COMES AT A TIME OF CONTRACTION
AND ADJUSTMENT FOR CANADA'S FINANCIALLY TROUBLED ROUTE
AND REGIONAL CARRIERS. SUMMER SCHEDULES FOR BOTH
CP AIR AND AIR CANADA ARE EXPECTED TO INAUGURATE FOR
THE LONGER TERM DIMINISHED FREQUENCIES ON DOMESTIC
AND INTERNATIONAL ROUTES IN VALIANT EFFORTS TO BOOST
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PAGE 02 OTTAWA 01487 112213Z

LOAD FACTORS. TO UTILIZE THEIR EQUIPMENT, BOTH CARRIERS
WILL EXPAND SUBSTANTIALLY EXISTING CHARTER BUSINESS.
NEXT WINTER THEIR SERVICES TO HAWAII, MEXICO AND THE
CARIBBEAN ARE EXPECTED TO BE HEAVILY CHARTER.

3. AIR CANADA AND CP AIR BOTH WORRY THAT WARDAIR'S
EXPANSION WILL FORCE THEM TO MOUNT EVEN MORE CHARTER

CAPACITY AT THE EXPENSE OF SCHEDULED SERVICE.
FINANCIAL POST FOR MARCH 12 QUOTES AIR CANADA PRESIDENT
CLAUDE TAYLOR: "IF WE FACE THAT KIND OF COMPETITION,
THERE IS NO WAY EITHER OF US COULD GO ON RUNNING SCHEDULED
SERVICES. ... WE WOULD HAVE TO GO OVER TO PEAK HOUR
CHARTER SERVICES AND COMPETE. NOTHING ELSE WOULD MAKE
SENSE." CP AIR'S PRESIDENT IAN GRAY LIKEWISE NOTED:
"WE NOW FLY SEVEN FLIGHTS A WEEK TO HONOLULU. ... UNDER
THE COMPETITION WE COULD FACE I CAN SEE US SWITCHING
TO FOUR CHARTERS AND THREE SCHEDULED FLIGHTS EACH WEEK.
WE HAVE ALREADY GONE INTO CHARTERS TO MEXICO TOO, BUT
OBVIOUSLY WE HAVE TO GO MUCH FURTHER."

4. COMMENT: AIR TRANSPORT ASSOCIATION OF CANADA
EXECUTIVE CONFIRMED TO TCO MARCH 11 GENERAL ACCURACY OF
ABOVE QUOTATIONS BASED ON HIS MEETINGS WITH THE TRUNK
CARRIERS WHICH, HE SAID, HAVE A REAL FEAR OF THIS
WARDAIR EXPANSION. HE NOTED THAT THE PRESENT GROUND
RULES OF THE AIR TRANSPORT COMMITTEE DO NOT POSE ANY
SIGNIFICANT BARRIER TO THE LIKELY CHANGES IN THE NATURE
OF THE AVIATION MARKET WHICH THIS EXPANSION FORESHADOWS.
NOR DOES HE FORESEE ANY ATC EFFORT TO FORESTALL SUCH
DEVELOPMENTS. IN CONTRAST TO OTHER CARRIERS, WARDAIR,
HE ADDED, HAS BEEN A VERY PROFITABLE UNDERTAKING IN
RECENT YEARS (WITH BOTH ITS INTERNATIONAL CHARTER
SERVICES AND ITS NORTHERN CANADA CARGO SERVICES
CONTRIBUTING TO THIS HAPPY SITUATION). IT HAS OVERCOME
ITS TEMPORARY FINANCIAL DIFFICULTIES OF THE EARLY 1970'S
WHEN IT WAS PROPOSING TO SELL A SIGNIFICANT AMOUNT OF
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PAGE 03 OTTAWA 01487 112213Z

ITS SHARES TO AIR CANADA. IN HIS VIEW, GOOD MANAGEMENT,
AGGRESSIVE MARKETING, AND MAINTAINING AN EXTREMELY HIGH
PASSENGER SERVICE STANDARD ARE RESPONSIBLE FOR THIS
SITUATION. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIR TRANSPORTATION, SUPPLEMENTAL AIRLINES
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OTTAWA01487
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770085-1054
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770369/aaaacimy.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 51c6bab9-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3135563
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: LIKELY INCREASED CHARTER COMPETITION AMONG CANADIAN CARRIERS
TAGS: EAIR, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/51c6bab9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009